

Caring Culture | Open Communication | Unmatched Service | Personalized Solutions



PAETEC

March 2010

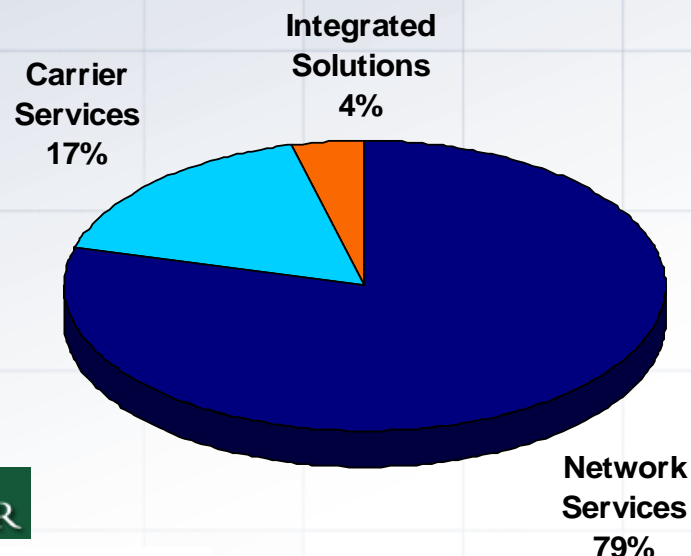
Company Overview

Overview

- /// One of the largest Nationwide providers of Competitive Communications Solutions⁽¹⁾
- /// Extensive National Footprint
- /// Presence in 47 of the top 50; 84 of the top 100 MSAs
- /// Industry leading customer satisfaction
- /// 27 quarters of positive free cash flow generation

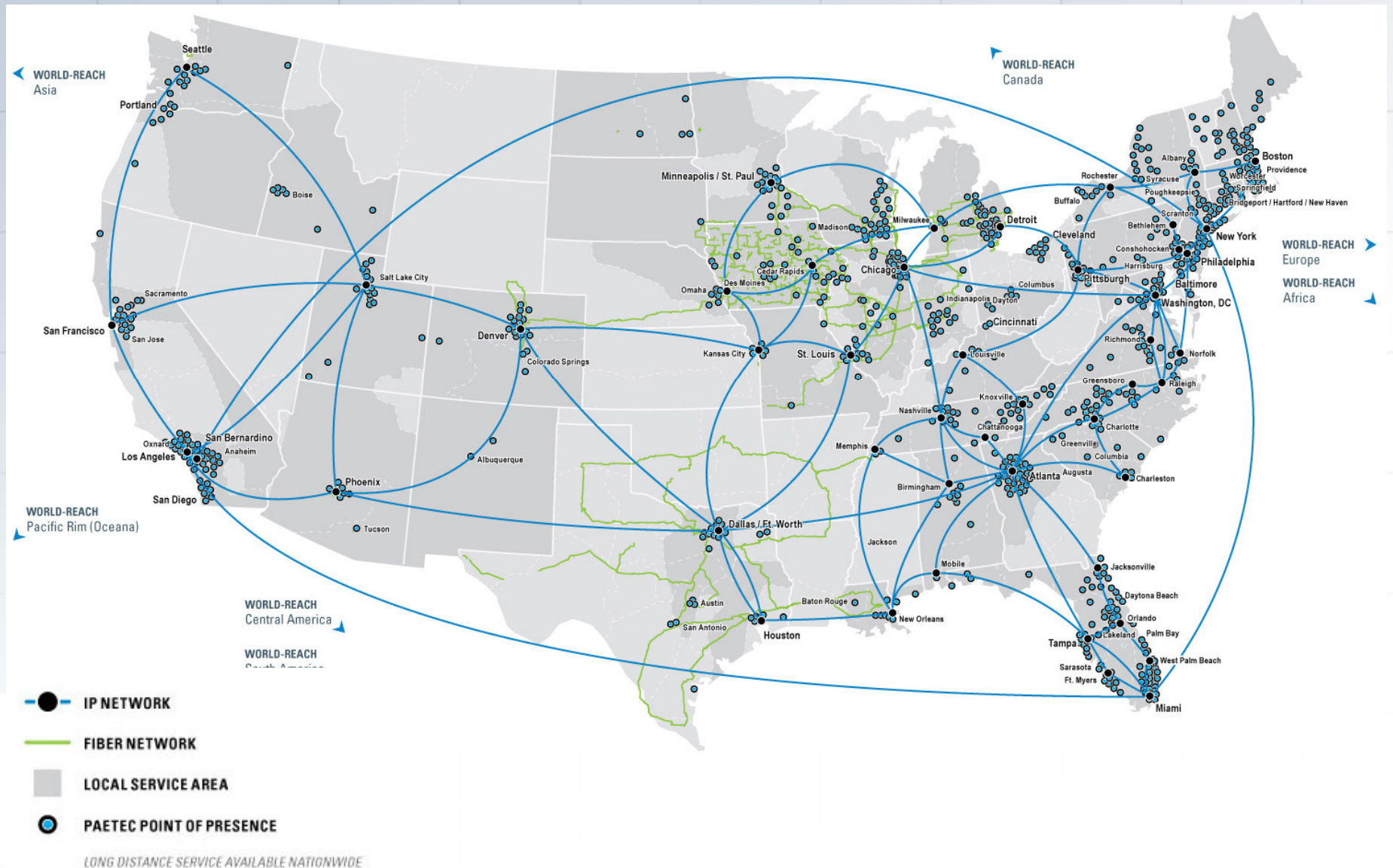
2009 Revenue Composition

Total Revenue = \$1.58 Billion



(1) Based upon revenue

Extensive National Footprint with Regional Focus

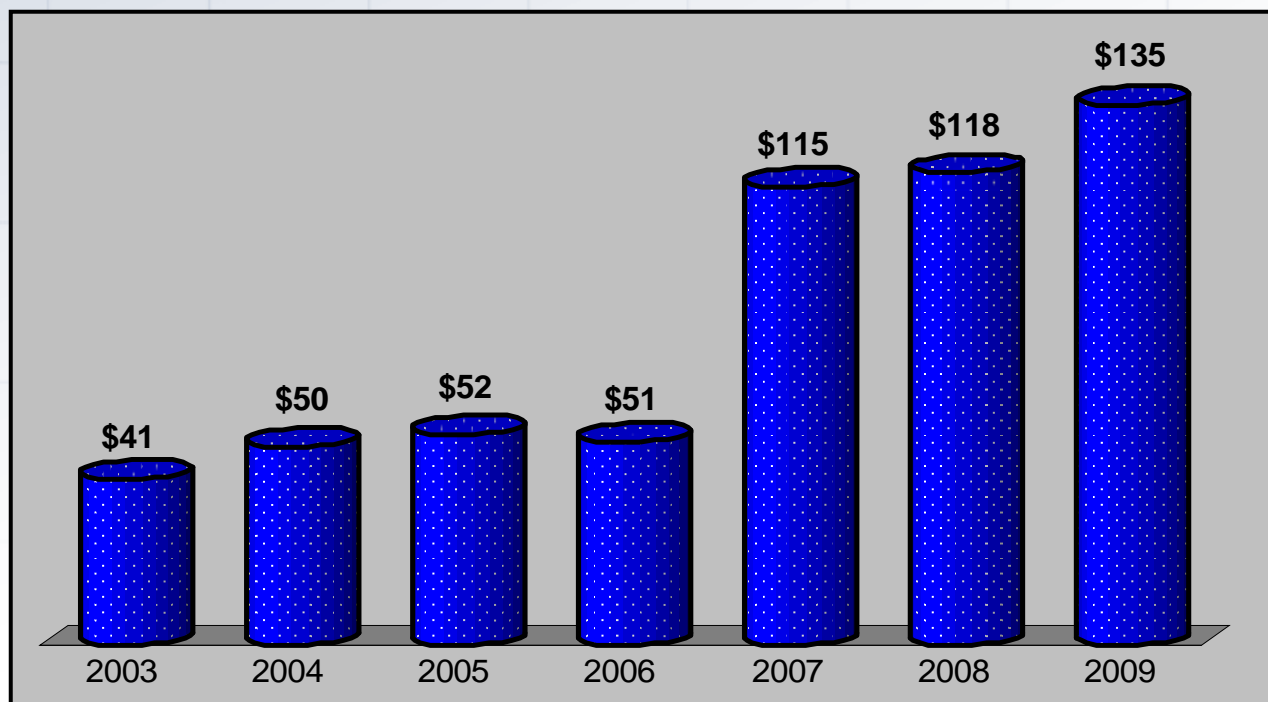


Network Profile

	Network Data					
	<u>9/30/2008</u>	<u>12/31/2008</u>	<u>3/31/2009</u>	<u>6/30/2009</u>	<u>9/30/2009</u>	<u>12/31/2009</u>
Access line equivalents⁽¹⁾	5,580,085	5,669,614	5,737,226	5,819,020	5,834,480	5,852,606
Long-haul fiber route miles	13,346	13,365	13,365	13,937	14,185	14,158
Metro fiber route miles	5,641	5,648	5,748	5,748	5,747	5,924
Total fiber route miles	18,987	19,013	19,113	19,685	19,932	20,082
Circuit switches	88	88	88	88	88	88
IP switches ⁽²⁾	30	30	32	33	34	34
Total switches	118	118	120	121	122	122
Collocations	628	628	628	610	603	603
Facilities-Fed Buildings⁽³⁾	n/a	n/a	n/a	1,912	1,916	1,918

Industry Leading Long-Term Free Cash Flow

- /// Management, Directors, and employees own 20+% of the equity of the Company⁽¹⁾.
- /// As significant owners, we are passionate about Free Cash Flow
 - 28 quarters of Free Cash Flow
 - Every customer is expected to pass profitability thresholds and every customers' profitability is reviewed 4x per annum



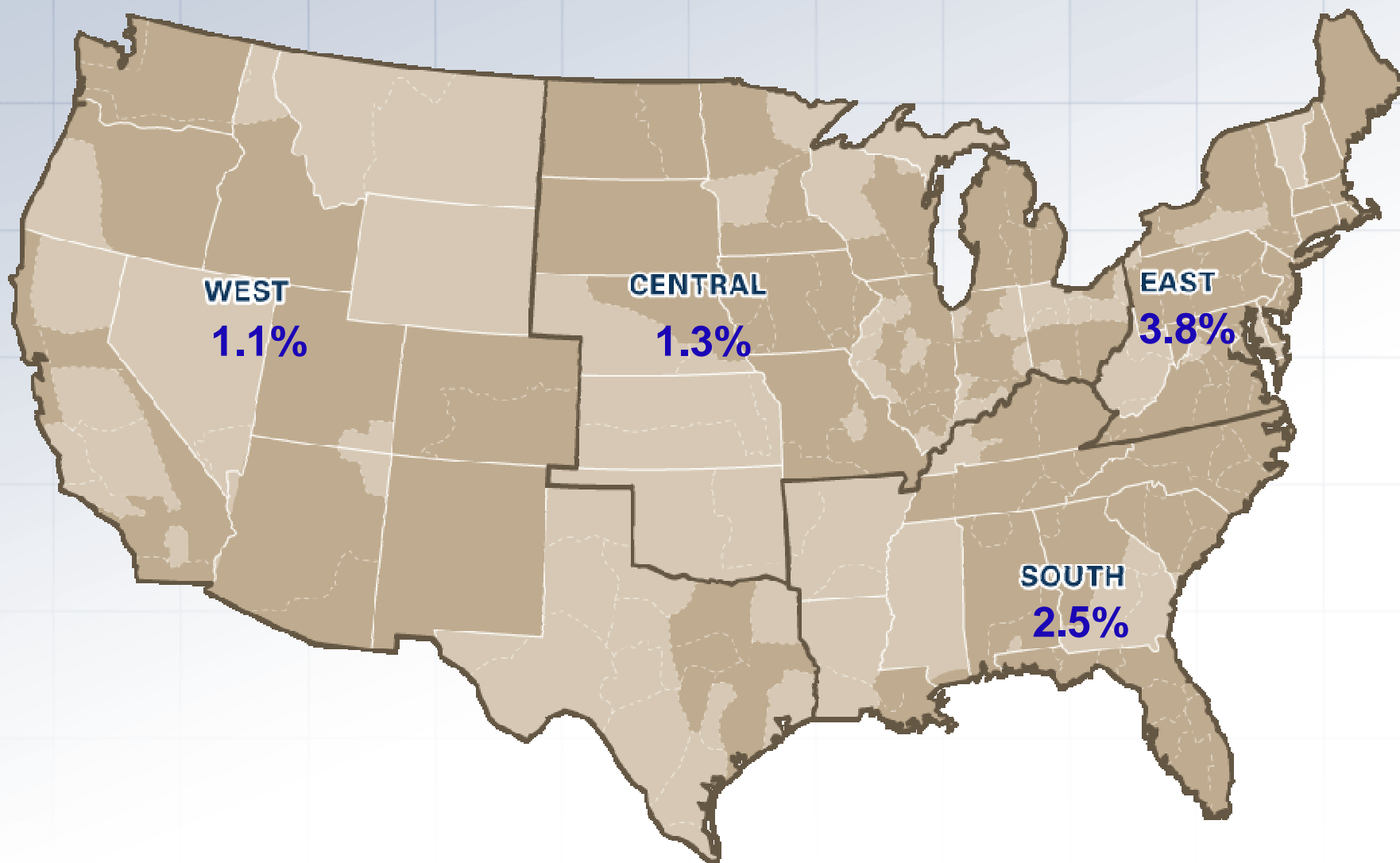
(1) As of December 31, 2009 and assumes conversion, exercise and/or vesting of all restricted stock units and stock options

(2) Free Cash Flow defined as Adjusted EBITDA less Cap Ex. See Appendix

Summary

- /// Focused on diverse, valuable, underserved customer base of medium and large businesses and institutions
- /// Superior high touch customer service driven by well-trained and motivated employee base
- /// Capital-efficient, facilities-based network
- /// Proven management team and sales organization
- /// Industry leading track record of profitability – 28 quarters of positive free cash flow generation

PAETEC National Market Share 2008 - 2.2%⁽¹⁾



(1) Market Opportunity provided by GeoResults. Market Share based upon total company billed end-user Network Service, core revenues (See Definitions section)

Specialized Focus Across Attractive Industry Verticals

Financial



Healthcare



Government



Higher Education

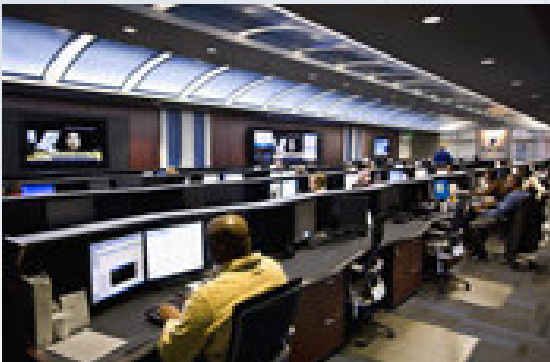


Unmatched Customer Care

Network Operations Center – Cedar Rapids, IA



Network Operations Center – Charlotte, NC

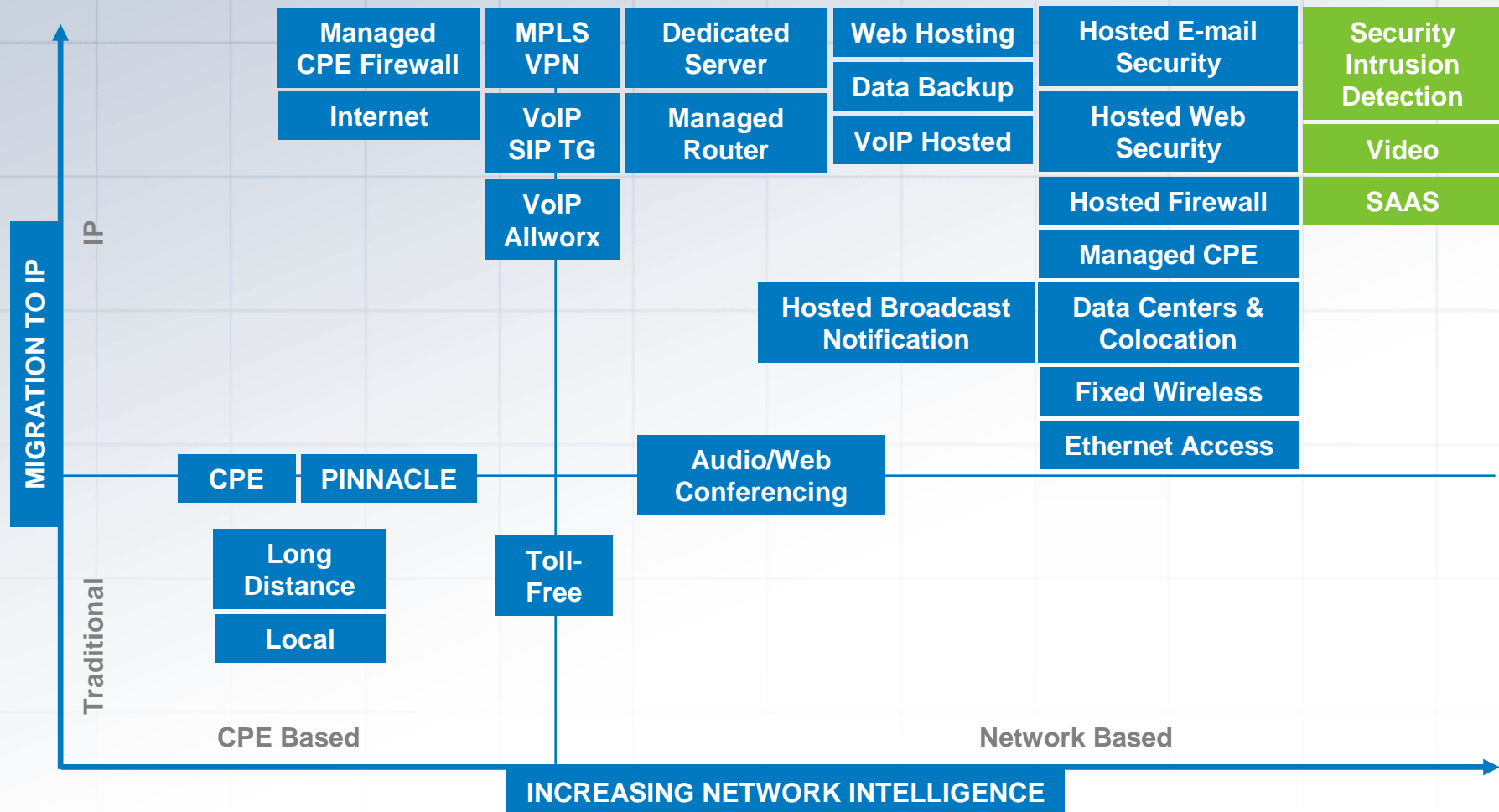


Network Operations Center – Rochester, NY



- /// ~70 dedicated Customer Care representatives
- /// ~240 highly trained NOC technicians
- /// PAETEC strives to answer incoming calls by a live person in 20 seconds or less
- /// Customer Advisory Board Program
 - 80+ regional forums for knowledge sharing and relationship building between PAETEC and our customers
 - Discuss business challenges
 - Build the foundation for PAETEC's product and service investments through customer feedback
 - Access to PAETEC's senior executives
 - Network with peers

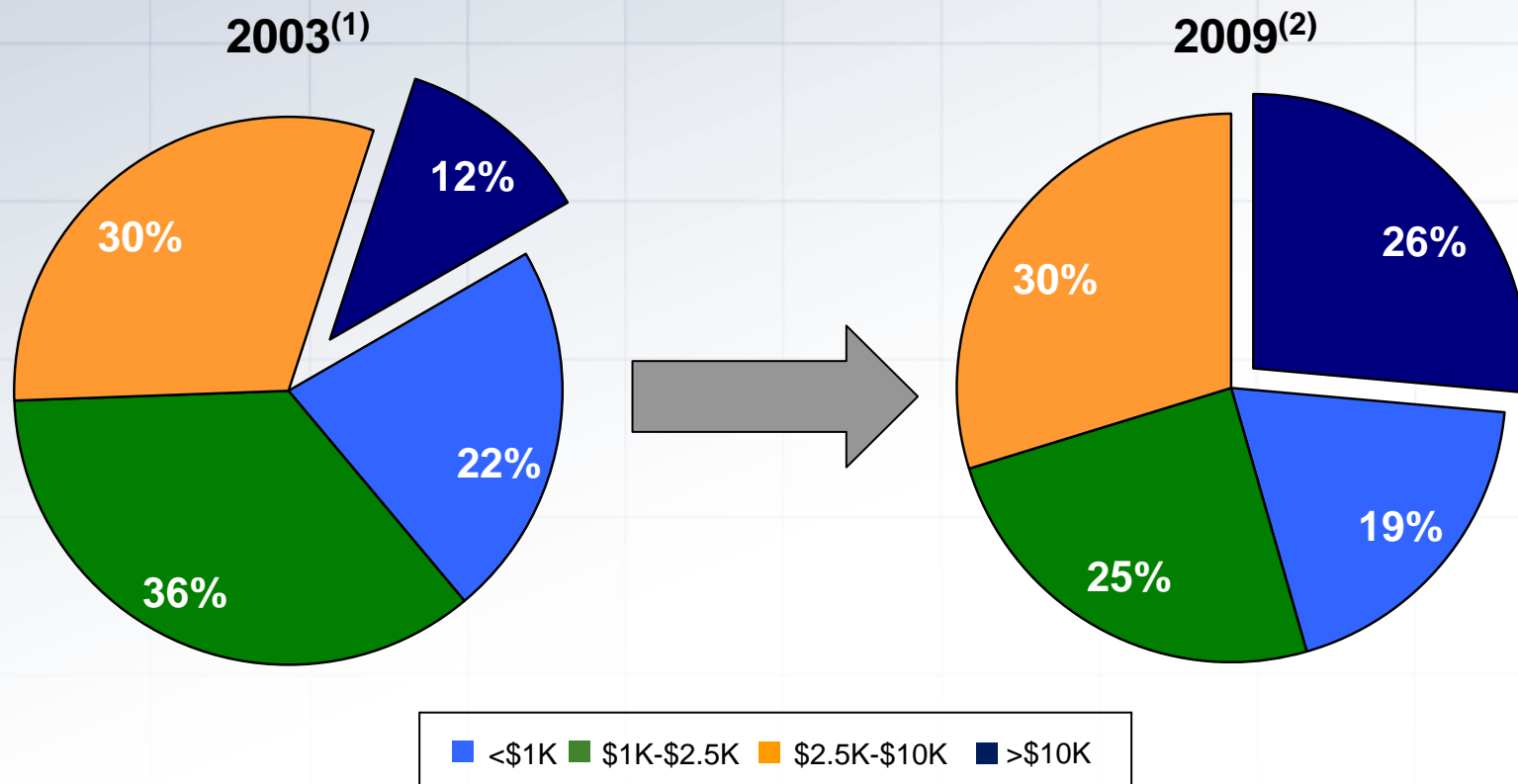
PAETEC Strategic Product Direction



Original Product
 New Product

Continued Migration to Larger, Higher Value Customers

/// Customers spending >\$10K represent the fastest growing segment of total company revenue



(1) Based on monthly RevChain billed data for Network Services, core customers of legacy PAETEC

(2) Based on monthly billed data for Network Services, core customers of legacy PAETEC, legacy US LEC, and legacy McLeodUSA

Chapter 4 of the National Broadband Plan Recognizes Importance of Policies That Ensure Reasonably Priced Wholesale Inputs to Promote Retail Broadband Competition

- **Reasonably priced special access services are essential to broadband competition (NBP Recommendation 4.8)**
 - PAETEC provides broadband services using last mile special access services exclusively in the Verizon regions and the former Bell South and PacBell regions of AT&T
 - Expiration of AT&T merger condition in June 2010 will allow AT&T to raise SPA prices at a time when the FCC is determining whether current prices are too high
- **UNE Forbearance (NBP Recommendation 4.6 & 4.7)**
 - PAETEC uses unbundled DS1 loops in the Qwest and legacy Ameritech and SBC regions of AT&T to provide broadband services to business customers
 - Proposed forbearance standard advocated by PAETEC and other CLECs should be adopted in evaluating the Qwest Phoenix and Verizon 6 City and Qwest 4 City remand proceedings
- **271 Network Element Pricing (NBP Recommendation 4.7)**
 - Requirement to offer 271 Network elements such as loops and transport was a key component in the grant of in-region long distance authority to RBOCs
 - 271 network element pricing will provide the missing backstop to 251 unbundling that would create a more stable environment for competitive providers
- **Access to ILEC fiber (NBP Recommendation 4.7)**
 - Since the 96 Act, competition has created jobs and innovation in the telecom sector
 - Access to ILEC fiber will promote more robust competition in the broadband market

Chapter 8 of the National Broadband Plan Phase In of Intercarrier Compensation Reform

- **The proposed reform of Inter-carrier Compensation in the NBP appears fair and balanced**
 - 10 year phase-in is reasonable
 - Self help has to be expressly prohibited and punished
 - FCC should offer expedited mediation or enforcement mechanisms to resolve disputes
 - Large IXCs should not be allowed to force a flash cut to the end point rate, and the only way to deter such behavior is very strong enforcement language
 - If NPRM implements interim rules:
 - Global prohibition on revenue sharing should not be part of interim rules
 - Traffic pumping prohibition should be narrowly tailored
 - So long as the customer pays for local services the traffic is legitimate and subject to applicable access charges
 - Declaring that VoIP should be subject to interstate access will be somewhat helpful but not resolve billing disputes because of difficulty in distinguishing VoIP from TDM traffic



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